

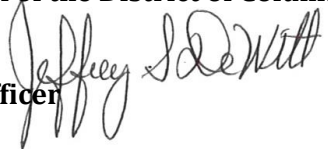
Government of the District of Columbia
Office of the Chief Financial Officer



Jeff DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff DeWitt
Chief Financial Officer 

DATE: June 2, 2014

SUBJECT: Fiscal Impact Statement – “Captive Insurance Company Amendment Act of 2014”

REFERENCE: Bill 20-774, as Introduced

Conclusion

Funds are sufficient in the proposed FY 2014 supplemental budget and the proposed FY 2015 through FY 2018 budget and financial plan to implement the bill.

Background

The bill makes several technical changes to the regulation of captive insurance companies,¹ which are insurance companies that insure the risks of a parent company or other affiliated companies. Specifically, the bill:

- Strikes references to “segregated accounts,” which are no longer regulated by the Department of Insurance, Securities and Banking (DISB), and replaces the references with the term “protected cells;”²
- Permits the Commissioner of Securities and Banking to extend or waive the requirement to conduct a financial examination of captive insurers every five years upon the satisfaction of specified criteria;
- Clarifies statutory requirements for protected cell captive insurers³ and protected cells including with respect to capital and surplus levels and annual reports;

¹ D.C. Official Code § 31-3931.01(9).

² A protected cell captive insurance company is, just like a traditional insurance company, is its own legal entity. However, unlike a traditional insurance company, the protected cell company has a core, which contains the capital for the whole of the entity, and individual cells, which have the option to be capitalized individually and separate from the core or use the core funds to meet its capitalization requirements. Thus, the assets of the each protected cell are statutorily segregated to ensure that the assets of one cell cannot cover a claim against another cell. For details, see D.C. Official Code § 31-3931.04(2).

The Honorable Phil Mendelson

FIS: "Captive Insurance Company Amendment Act of 2014" Bill 20-774, as Introduced.

- Confirms the confidentiality of captive insurers license application materials;
- Makes the Unfair Trade Practices and Claims Settlements Act applicable to District-domiciled risk retention groups; and
- Requires risk retention groups licensed as captive insurers to file quarterly statements.

Financial Plan Impact

Funds are sufficient in the FY 2014 proposed supplemental budget and proposed FY 2015 through FY 2018 budget and financial plan to implement the bill. The requirements affect the operation and oversight of the relevant insurance companies, but the regulatory changes do not affect the District budget and financial plan. DISB has indicated it can oversee the changes within its current resources.

³ D.C. Official Code § 31-3931.04.